

PUBLIC DISCLOSURE

DECEMBER 23, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

WALPOLE MUNICIPAL EMPLOYEES CREDIT UNION

30 STONE STREET
WALPOLE, MA 02081

DIVISION OF BANKS
100 CAMBRIDGE STREET
BOSTON, MA 02202

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of WALPOLE MUNICIPAL EMPLOYEES CREDIT UNION prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The credit union's Composite Rating of "Satisfactory" is based upon three performance criteria. The credit union's Loan-to-Share ratio has averaged 58.6% for the period beginning June 30, 1995, and ending June 30, 1997. This ratio was 58.9% at the month ending November 30, 1997 and is considered to be satisfactory. A review of the credit union's consumer loan portfolio from January 1, 1996 to December 23, 1997, revealed that the distribution of loans to members of different income levels, particularly to those of low and moderate-income levels, was significant, exceeding the standards for satisfactory performance. No CRA-related complaints have been received since the previous examination and the Fair Lending examination revealed no evidence of discriminatory or illegal credit practices.

PERFORMANCE CONTEXT

Description of Institution

Walpole Municipal Employees Credit Union is a state-chartered credit union, chartered in December, 1938. According to the credit union's by-laws membership in the credit union is limited to those who are employees as well as elected and appointed officers of the Town of Walpole. The Town employs approximately 700 individuals, of whom approximately 362 are members.

The credit union offers personal secured and unsecured loans; new and used automobile loans, and truck loans.

The credit union was last examined by the Division of Banks for compliance with the Community Reinvestment Act on October 31, 1995, and received a satisfactory rating.

As of November 30, 1997, Walpole Municipal Employees Credit Union had total assets of \$882,362, of which \$454,755 or 51.5% were in the form of loans. Of these loans, 56.5% were personal secured and unsecured loans, 42.7% were comprised of new and used automobile loans, and 0.8% were truck loans.

Description of Assessment Area

According to the Community Reinvestment Act Regulation 209 CMR 46.41(8), a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area. Therefore, as an industrial credit union, the Walpole Municipal Employees Credit Union's assessment area is considered to be its members.

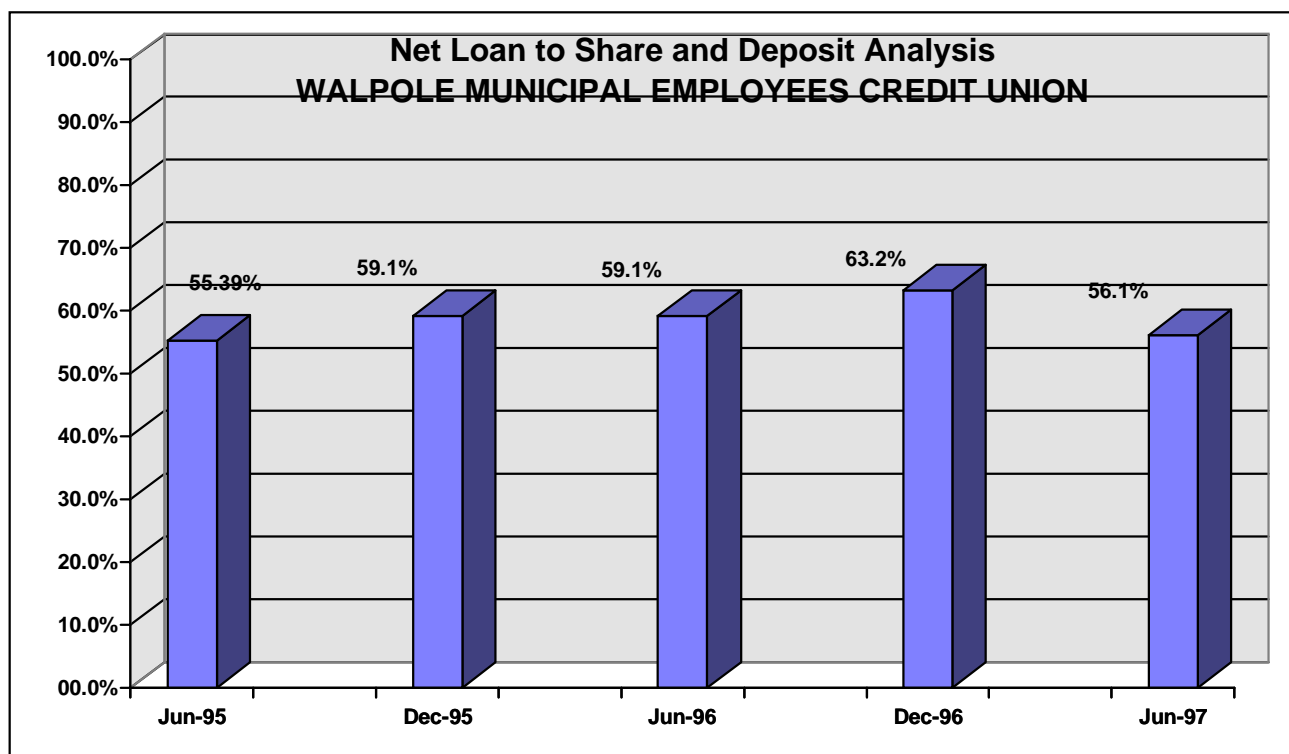
PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

An analysis of Walpole Municipal Employees Credit Union's net loan to share ratio was performed during the examination. The calculation incorporated five semi-annual N.C.U.A. 5300 Call Reports of the credit union's net loan to total share figures. This review included the reports from June 30, 1995 through June 30, 1997.

The institution's average net loan to share and deposit ratio for the period under review was determined to be 58.6%. The analysis revealed that during the period the ratio has increased from a low of 55.3% on June 30, 1995, to a high of 63.2% on December 31, 1996 and fell back to 56.1% on June 30, 1997. The ratio for November 30, 1997 was 58.9%. The fluctuation in this ratio can be attributed to some large share deposits and withdrawals during the period and a 5.2% decrease in loans from June 30, 1997 to November 30, 1997.

The following graph illustrates the net loan to share and deposit trends.



Based on the above information and the credit union's capacity to lend to its members and the lending opportunities available to its members, the credit union's loan to share ratio meets the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA(S)

Based on the fact, that the credit union defines its assessment area as its membership, this analysis was not meaningful. However, the credit union satisfactorily meets the credit needs of its membership.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of loans extended within the credit union's assessment area, according to borrower income level was conducted. Originations were categorized by the ratio of the applicant's reported income to the 1996, and 1997 median family incomes of the Boston Statistical Area (MSA). The median incomes for the Boston MSA were \$56,500, and \$59,600 respectively. Income figures were based on estimated 1996, and 1997 data from the Department of Housing and Urban Development (HUD). The Boston MSA was

used for the analysis due to the credit union's location in this MSA. The analysis included 96 loans, approximately 100% of the loans originated during 1996 and year-to-date December 23, 1997.

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

The above tables provide a breakdown of the credit union's loan originations to its members by applicant income level.

NUMBER OF LOAN ORIGINATIONS BY BORROWER'S INCOME

% MEDIAN FAMILY INCOME	1996		1997		TOTAL	
	#	%	#	%	#	%
< 50%	14	28.6	14	29.8	28	29.2
50 - 79%	25	51.0	26	55.3	51	53.1
80 - 119%	9	18.4	7	14.9	16	16.7
>120 %	1	2.0	0	0.0	1	1.0
TOTAL	49	100.0	126	100.0	96	100.0

Source: credit union records

LOAN DOLLAR AMOUNT BY BORROWER INCOME

%MEDIAN INCOME LEVEL	1996		1997		TOTAL	
	\$000	%	\$000	%	\$000	%
<50%	60	22.1	55	26.6	115	24.0
50-79%	139	51.1	99	47.8	238	49.7
80-119%	69	25.4	53	25.6	122	25.5
>120%	4	1.4	0	0.0	4	0.8
TOTAL	\$272	100.0	\$9,617	100.0	\$479	100.0

According to table above, Walpole Municipal Credit has made a significant number of loans to low and moderate-income borrowers . Low and moderate-income borrowers accounted for 82.3% of the number of loans, followed by loans to middle-income borrowers with 16.7%, and loans to upper-income borrowers with 1.0%

In regards to dollars lent, low to moderate-income borrowers received 73.7% of all loan dollars distributed, followed by middle-income borrowers with 25.55 of all dollars.

It should be noted that in consumer lending, applicants often apply for consumer loans on an individual basis, as opposed to mortgage loans which may involve two or more borrowers. In that situation, the incomes of consumer-loan borrowers may be understated and may have a tendency to skew the analysis of the consumer lending to favor low to moderate-income borrowers. However, the above tables strongly indicate that the Walpole Credit Union actively lends to low to moderate-income employees of the Town of Walpole.

As indicated in the above analysis, the credit union has demonstrated an excellent record in lending to low and moderate-income members. In view of this record, the credit union is considered to exceed the standards for a satisfactory performance in this criteria.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

Based on the fact the credit union defines its assessment area as its membership, this analysis was not meaningful.

5. REVIEW OF COMPLAINTS/FAIR LENDING

There were no CRA-related complaints received between examinations.

FAIR LENDING POLICIES AND PRACTICES

The credit union does not have a formal written Fair Lending Policy. The size, limited credit products, limited staff, and limited hours would preclude the credit union in addressing most of the bullets listed below.

STAFF TRAINING

The small staff and limited hours limit any formalized training.

STAFF COMPOSITION AND COMPENSATION

The credit union employs one part-time person, who opens the credit union Tuesday, Wednesday, and Thursday from 3PM to 5PM.

OUTREACH

The credit union uses its day-to-day contact with its members as its primary way of determining the credit needs of its members.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

The credit union's directors are constantly reviewing the credit products and underwriting standards in order to give the membership the best credit products among the local financial institutions.

MARKETING

As in the outreach area, the credit union uses contact with members, brochures, and flyers as its marketing strategy. This appears to adequately inform the member of the products available.

CREDIT EDUCATION

The credit union does not participate in any credit seminars because of its size and limited membership.

COUNSELING

The credit union provides internal counseling to its delinquent borrowers. The Treasurer and/or a member of the Board will counsel the member and in most cases a satisfactory repayment program is developed.

SECOND REVIEW PRACTICES

All loans are reviewed by the credit committee. This is the credit unions second review procedure.

INTERNAL CONTROL PROCEDURES

The credit union depends upon its audit committee as its internal control procedure.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

WALPOLE MUNICIPAL EMPLOYEES CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **DECEMBER 23, 1997**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 19 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.